

TOWARDS AN EFFECTIVE BUSINESS MODEL FOR GOLF INDUSTRY: A PROPOSED FRAMEWORK

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ABSTRACT

Despite the tough climate for golf operations and golf participation in general, this industry also exhibits the potential to be a great niche tourism product. As such, to deal with the changing landscape of business in golf industry, designing an effective business model is highly imperative. This study aims to explore the business model in a golf industry, in search for a business model that is effective and competitive. A proposed framework is presented to look at various elements and components of a golf business. While the data is yet to be collected using a case study approach to a golf club in the northern region, the study suggests that the findings will provide useful insights to the golf business in designing an effective business model, hence develop necessary strategies towards superior performance.

Keywords: operations excellence, business model, golf industry, business sustainability

1.0 INTRODUCTION

There are an estimated 59 million golfers worldwide (Rees, 2008). Between 5 and 10 per cent of these golfers travel overseas each year for the main purpose of playing golf, making the international scale of the golf tourism market between 2.9 and 5.9 million. The principal market for dedicated golf tours has been golfers who regularly participate in the sport, but over the last few years there has been

a noticeable stagnation and even decline in the number of 'core' golfers, particularly in the mature markets (Intel, 2006). However, the number of occasional golfers is growing worldwide, providing the opportunity for tour operators and resorts to offer golf as an add-on feature to holidays. Golf is also becoming an important part of meetings and conventions.

In Malaysia, golf tourism has occasioned the development of various golfing activities in Malaysia, as well as in its neighboring countries. Malaysia's strengths as a golf destination are in its locations and year-round tropical climate but, primarily, cost. The array of over 200 courses is located by the sea, in the islands, on the highlands, in the city and in the jungle. Cheap green fees is a major advantage over regional competitors such as Thailand, they can be as low as USD10.

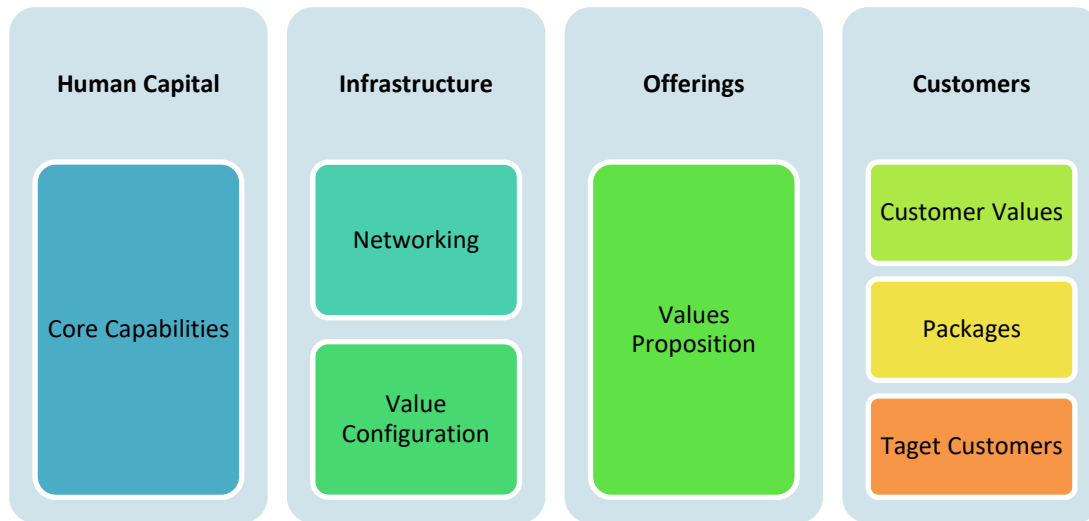
While this business landscape promotes to the rising number of both foreign and local golfers, in Malaysia, the fact that most of them are occasional golfers rather than the core players, has challenged the way the golf operators run their business as to meet along this trend. Traditionally, the golf operators rely much on the membership fees to sustain their business, where the source of income is more steady and predictable. Hence, with the current trend of occasional golfers, building high operational efficiency systems, high degree of flexibility and greater customer satisfaction within the agile business environment are essential success factors. Indeed customer value has become a competitive weapon for a long-term quest toward excellence.

With this scenario in mind, it leaves a big question mark whether the conventional business model would be able to help the golf industry to sustain and being competitive. This study aims to examine the business model of a golf operator, in search of the related elements of their practices; namely the human capital, infrastructure, offerings, customer and values. The analysis of these elements will help to assess the efficiency of the existing business model, hence determine areas of improvement. Consequently, the study wishes to contribute to

the development of a new business model that is effective and competitive to the golf industry, and sports tourism at large.

2.0 LITERATURE REVIEW

Business model is gaining popularity in the research and practice, as a tool to design for a more sustainable business (Joyce & Paquin, 2016). It consists of four main components; namely the human capital, infrastructure, offerings and the customers.



Chesbrough (2010) suggested that the significance of business model lies in its following functions:

- Articulates the value proposition (i.e., the value created for users by an offering based on technology);
- Identifies a market segment and specify the revenue generation mechanism (i.e., users to whom technology is useful and for what purpose)
- Defines the structure of the value chain required to create and distribute the offering and complementary assets needed to support position in the chain
- Details the revenue mechanism(s) by which the firm will be paid for the offering
- Estimates the cost structure and profit potential (given value proposition and value chain structure)

- Describes the position of the firm within the value network linking suppliers and customers (including identifying potential complementors and competitors); and
- Formulates the competitive strategy by which the innovating firm will gain and hold advantage over rivals

In a nutshell, the business model attempts to deliver the value as much as possible to the customers through its offerings, by articulating the resources and strength of the organization.

Golf industry

The golf industry is an emergent form of sport tourism, which currently experiencing growth worldwide (Fatt, Hoe, Musa & Mea, 2009). More people travels to play and go, making recruitment for new members and retain the existing members for a golf club, at uncertain dilemma. While there not much can be done to the fixed elements such as location and the design of the golf courses, competing on the basis of service excellence and operations becoming more alarming (Husin, Chelladurai & Musa, 2012).

The fact that the sports tourism increasingly make significant contribution to the tourism industry and the economy at large also invites growing attention from the scholars for the past decades. The majority of literature discussed on satisfaction and value, particularly among the golfers, who considered as tourists. For instance, Petrick and Backman (2002) studied the determinants of golf travelers' satisfaction found that golfographic variables (rounds of golf played per year, golf vacations taken, number of years played, handicap, etc) are poor predictors of golf travellers' perceived value, but still may be useful in identifying markets of golfers. In contrast, Henessey et al. (2008) show that value and satisfaction are notably different based on golfing frequency, hence implicates the segmentation strategy for the success in business. Following the need to understand the golfers, Fatt et al. (2009) examined the destination preferences and travel behavior among golf tourists in Malaysia. Among others, they highlight the significant relationship between golf specialization and 'facility' factor' of the general destination attribute. thus, the 'facility ' factor can be utilized to differentiate the

preferences for general destination attributes among golf tourist of different golf specialization.

The recent studies seems to depart further from the issues that specifically relate to the golfers, towards the service quality issues at large. In the work by Husin et al. (2012), they illuminate the importance of human resource variables towards the service quality at the golf facilities. Their survey on the employees at 68 golf clubs in Malaysia point to the conclusion that the HRM practices could cultivate the citizenship behavior to the organization, which in turns enhance the service quality and overall performance of a golf club. Similarly, Seong and Woon (2013) go beyond the golfers to include the spectators of golf event as another potential segment that the golf clubs can tap upon, and offering quality service that meet their need and expectations are highly imperative.

Golf and business

According to Hirsh (2013), among the key factors that can make a golf business successful includes location, facilities management, competent staffs, and a good quality of the food and beverages. Equally important, while he maintained the central function of financial management in making a club successful, he also stressed on the essential role of a prudent and realistic planning, in which it corroborates to the concept of business model as a tool in delivering the values. Similarly, Groach (2013) demonstrates that the typical concerns that the golfers look for are the courtesy of the staff, product pricing and selection, tee times received and condition of the golf course. Nevertheless, he points to the central factor, value as the major predictor of loyalty.

From the marketing point of view, Long (2015) considers the social media as the powerful marketing tool that golf business should adopt in marketing their service and offerings. Furthermore, the social media allows the golf club to reach the non-golfers, who might looking for venues for events, such as wedding, seminars and meetings. Indeed, there is a rising trend that event management is a part of the important income revenue for a golf club nowadays (Golden & Dominick, 2017). Besides, the principal association of golf to the health, fitness and wellness should implicates the promotion in

related services and facilities, such as the SPA, gymnasium, tennis court and swimming pool (CMAA, 2017).

In sum, the success in golf business considers various factors namely (i) the competencies of human capital, (ii) the infrastructure and facilities in which their value could be configured out to support the offerings (ii) the types of offering or services, and (iv) the customers, particularly in knowing who are the target customers and what value should be delivered to them. These factors are indeed encapsulate the key elements in the business model. Despite the fact that the previous review of the related literatures have been informative regarding the state of current knowledge and issues in golf industry, yet the business model that capture the all the important elements for a golf business to be competitive and sustainable, is far from clarity. Hence, this study wishes to contribute to this domain by presenting a framework of an effective business model for a golf industry. Consequently, the framework could provide a sensible foundation in assisting the business transformation and designing a unique strategy for a golf business to propel their performance to a higher extent.

3.0 METHODOLOGY

The research pursue a case study approach to explore in depth about the business model of a golf club. The BG Club, located in the northern region is selected for this particular purpose. The BG Club's primary offering is represented by the 18-hole golf course with derivatives designed to be benefitted from the success of the primary offering. In general, the success of primary offering is highly parallel with the total utilization of number of rounds offered for golfing throughout the year. Efficiently operated, an 18-hole golf course could offer a maximum number of around 86,000 rounds yearly which in comparison, BG Club's total utilization is currently at approximately 18,000 rounds, representing a 20.93 % utilization rate.

In addition to that, BG Club is now only hosting a very small number of active golfers (385 golfers - 2014) out of a huge number of adult residents in the vicinity (Kubang

Pasu, Jerlun, Kota Setar, Pokok Sena and Padang Terap are hosting more than 20,000 potential adults). This represents only 2% of opportunity exploitations with the contributions of 11.57% from the 20.93% utilization rate.

In view of golf offering, it is very difficult for a club to claim genuine differentiation between one to the other, since like other countries in the world, more than 80% of the more than 200 golf courses that exist in Malaysia are classified as Mid-level golf course.

3.1 RESEARCH DESIGN

The framework of this study is based on Business Model Canvas which was initially proposed by Osterwalder (2004) as illustrated in Figure 3.1. The model includes nine variables which are divided into two categories; the first related to the sources and services output offered by the club, and the second category is concerning the benefits delivered to the customers as detailed below.

3.1.1 The sources and services output offered by BG Club

- a) Targeted Customer
- b) Customer values
- c) Services Packages
- d) Services Offerings
- e) Networking
- f) Value Configurations
- g) Human Capital

3.1.2 Benefits enjoyed by BG Club patrons:

- a) Cost Structure
- b) Values
- c) Customer Benefits

In light of the BG Club as the context of this study, each variables and the components are further explored through interview and review of relevant literatures. The details are summarized as shown in figure 3.1

HUMAN CAPITAL	INFRASTRUCTURE	OFFERINGS	CUSTOMERS	
Core Capabilities	Networking	Value Propositions	Customer Values	Target Customers
<ul style="list-style-type: none">• Course Expert• Equipment Expert• Professional Coach• Competent Caddies• Event Manager	<ul style="list-style-type: none">• Affiliation with other clubs• Affiliation with professional body	<ul style="list-style-type: none">• 18-Hole Golf Course• Clubhouse• ProShop• SPA• Swimming Pool• Fitness Center• Restaurant• Badminton Court	<ul style="list-style-type: none">• Good Accessibility• Difficult Course• Prestige• Social Rendezvous• Health	<ul style="list-style-type: none">- Professional Golfers- Home Owners- Other Users
	Value Configuration		Packages	
	<ul style="list-style-type: none">• Product development• Golf management• Events management• Facility management• Golf course maintenance• Facility maintenance• Membership management• Marketing management		<ul style="list-style-type: none">• Pricing• Internet	
Cost Structure		VALUES	Benefits/Revenue Streams	
Fixed Cost: <ul style="list-style-type: none">a. general management overheadb. employeesc. sales and marketingd. maintenance overhead Variable Cost: <ul style="list-style-type: none">a. agency feesb. buggy maintenance			<ul style="list-style-type: none">• Income from golf:<ul style="list-style-type: none">○ Membership fees○ Subscription fees○ Green fees○ Tournament fees• Income from restaurant• Income from spa rental• Income from pro shop rental• Income from events	

Figure 3.1: Business Model Components

Accordingly, this study proposed to examine the effectiveness of the elements and their components as illustrated above, in search of the business model that is efficient and competitive for a golf club. As such, data will be gathered from various potential respondents such as the golfers, home owners and users of other facilities in the club.

Conclusion

This study seeks to explore the business model in a golf industry, in search for a business model that is effective and competitive. Accordingly, the key elements of the business model framework; namely human capital, infrastructure, offerings, customers and value in the context of golf operator business will be analyzed for their effectiveness, using a case study approach of a golf club in northern region. It is expected that the research will contribute to the business model research, particularly in the context of golf business. Further, it provides useful guidelines for the managers of golf businesses in designing their business model to be effective and competitive.

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